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D1N8LEYC UNITED STATES DISTRICT COURT 1 SOUTHERN DISTRICT OF NEW YORK 2 3 UNITED STATES OF AMERICA, 4 13 Cr. 55 (GBD) V. ROGELIO LEYBA, 5 6 Defendant. -----x 7 8 January 23, 2013 10:50 a.m. 9 Before: 10 HON. GEORGE B. DANIELS 11 District Judge 12 APPEARANCES 13 PREET BHARARA United States Attorney for the 14 Southern District of New York EDWARD DISKANT 15 Assistant United States Attorney 16 LINDSAY LEWIS 17 Attorney for Defendant 18 Also present: JEFFREY STEIMEL, Pretrial Services 19 MATILDE DEFERRARI, Spanish interpreter 20 21 22 23 24 25

(Case called)

THE DEPUTY CLERK: Would the parties please rise and state their appearances for the record, starting with the government.

MR. DISKANT: Good morning, your Honor. Edward

Diskant for the government. And I am joined by Jeff Steimel of

Pretrial Services.

MS. LEWIS: Good morning, your Honor. Lindsay Lewis, standing in for Josh Dratel, on behalf of Rogelio Leyba.

THE COURT: What is the status from the government's perspective?

MR. DISKANT: We are here primarily for an arraignment today. The defendant was charged by complaint in December and arrested on that basis and presented on that basis as well. He was indicted on these charges last week.

MR. DISKANT: My understanding is that it is. The paperwork may have been lost in the shuffle. This was indicted as one of two cases. I know the other case, the paperwork was stamped and made its way to Judge Gardephe's chambers.

THE COURT: The indictment has not yet been filed?

THE COURT: But you don't have a docket number yet?

MR. DISKANT: I don't.

THE COURT: Ms. Lewis, have you received a copy of the indictment and had an opportunity to review it with your client?

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MS. LEWIS: I did, your Honor.

THE COURT: Do you waive its public reading?

MS. LEWIS: I do, your Honor.

THE COURT: Do you wish to enter a plea on his behalf?

MS. LEWIS: We wish to enter a plea of not guilty.

THE COURT: I will enter a plea of not guilty on his behalf.

What is the status from the government's perspective with regard to discovery?

MR. DISKANT: Your Honor, the first round of discovery was handed to Ms. Lewis this morning. It consists of certain consensually recorded phone conversations and meetings involving the defendant. There also were a number of physical items seized from the defendant pursuant to a search warrant executed at the time of his arrest, I provided a voucher of those items, which we will make available to defense counsel's inspection. The only remaining item to the government's knowledge is at least one computer that was seized pursuant to the same search warrant. That is in the hands of our forensic team, and as soon as it's available to be produced we will do so.

THE COURT: Ms. Lewis, how much time would you want to review discovery before we came back?

MS. LEWIS: Your Honor, Mr. Dratel is actually on trial at the end of this week for the next six weeks or so in

San Diego. So I would ask your Honor for a date after that if possible, and we also have another trial commencing before

Judge Stein on April 1, just to permit some time to properly review the discovery.

THE COURT: What week would you be looking at?

MS. LEWIS: Could we do April 15, your Honor?

THE COURT: I can give you that week but not that day.

MS. LEWIS: Unfortunately, I don't have Mr. Dratel's schedule in front of me. Would your Honor like to pick a date convenient to the Court and we can notify chambers?

THE COURT: What about the 16th? I can set it down on the 16th at 9:45.

MS. LEWIS: Yes, your Honor.

THE COURT: What is the situation with regard to bail? What is the defense or government's position?

MS. LEWIS: Your Honor, perhaps I can raise this. The issue is that Mr. Leyba was originally permitted by the magistrate, one of the conditions of bail was that he would be permitted to work, and was initially released 6 a.m. to 6 p.m. from his home detention in order to do so. And it was the understanding when bail was set that Mr. Leyba would be permitted to work at the bodega located at 23 Crane Street, which is owned by his father. It is a legitimate business. There has never been a question of that. He would be able to work at this bodega that he has worked at for, I believe, the

last 12 or 13 years. And sometime after he was initially authorized to do so, pretrial services then informed him that he would not be permitted to work there — he would be permitted to work, but not there, because they believed that the alleged criminal activity had taken place at the bodega.

I would note, however, the criminal activity alleged in the complaint was not alleged to have taken place at the bodega, but, rather, at the apartment located above the bodega, which is actually Mr. Leyba's primary residence, but which he is not currently residing in. He is currently residing with his sister.

So I would ask, given that the criminal activity is not even alleged to have taken place at the bodega, that he be permitted to continue to work there, in key part because Mr. Leyba has child support obligations in New Jersey. Pretrial is aware of those, and he really needs this job in order to meet child support obligations. And considering the indictment in this case, and the fact that he is on home detention, it would be very difficult for him to go out, find and obtain employment elsewhere, especially considering that English is his second language.

THE COURT: Is there someone in that apartment currently?

 $\ensuremath{\mathsf{MS.}}$ LEWIS: No. There is no one in that apartment at this time.

THE COURT: What is the government's position?

MR. DISKANT: Your Honor, the government has a number of problems here.

First and foremost, so the Court is aware, the government opposed release and there was an extended detention argument before Judge Netburn. I forwarded a copy of the transcript to your clerk. We can get you a copy of the transcript should you wish to review it. I simply disagree with Ms. Lewis's characterization of the understanding of the parties at that time. We will note Ms. Lewis was not actually there.

THE COURT: Slow down.

MR. DISKANT: The understanding of everyone at the time of the hearing was that the store and the abandoned apartment building, which is directly above it and which Mr. Leyba was living in at the time of the apartment, had all been a part of the criminal conduct that was charged in what was at that time a complaint and is now an indictment. It was for that, among other reasons, that when Judge Netburn set conditions of release she specifically provided that he could not continue to live in that apartment at the bodega, but had to instead live with his sister.

The government's view is that the bodega was the front from which Mr. Leyba ran this organization as alleged -- or criminal activity I should say, as alleged in the complaint.

He would meet the cooperating witness to whom he sold these drugs in the bodega. We have every reason to believe that he met other individuals that he bought from and sold to in the bodega.

I would add that since the time of the arrest, the government has developed additional information which gives it pause about Mr. Leyba's connection with this bodega. That information, which I have just handed to Ms. Lewis, includes information that Mr. Leyba has failed to disclose income earned from the bodega, has materially misrepresented his income in mortgage applications, and was in the process of obtaining some sort of financing as well as property to open a new store nearby.

THE COURT: Give me a better idea of what you claim is going on in the bodega.

MR. DISKANT: Our understanding, your Honor, is that Mr. Leyba was using the bodega to meet people who sell secondhand prescription drugs, which is the core of the allegation in this indictment; that is, people who are buying HIV medications, primarily from Medicaid beneficiaries, and then reselling them to aggregators like Mr. Leyba, who collect these bottles and then sell them on to much higher level aggregators, who in turn pass them on to corrupt pharmacies and back into the stream of commerce.

In addition to the sales that were recorded by the

government, the government seized approximately 450 additional bottles of secondhand prescription drugs in the apartment above the bodega that we have been speaking of.

THE COURT: Is there any other connection between the owner of the bodega or the people who work in the bodega and the offenses that are charged here, or you're suggesting during the period of time that he was working there, that's the place where he did these transactions?

MR. DISKANT: It's primarily the latter. We have every reason to believe that were Mr. Leyba to be allowed to return to the bodega, and to be clear, we have no indication there are any other employees there, but were he allowed to return to the bodega, he would have every reason to be in contact with people who would come by the store, because they had previously done precisely the sort of business alleged in the indictment with Mr. Leyba, that is, all of his prior sellers and buyers, who knew him from the store and would meet him at the store, and then be taken by Mr. Leyba from the store up to this apartment directly above it to actually engage in the transactions.

THE COURT: What are you afraid is going to happen?

MR. DISKANT: He will continue to engage in these sales when presented with the opportunity to do so.

THE COURT: That would be pretty stupid.

MR. DISKANT: I completely agree.

THE COURT: Since the agents are looking right over his shoulder.

MR. DISKANT: It is very hard for the agents to engage in 24/7 surveillance of the store, your Honor.

THE COURT: I assume to some extent you have identified other individuals other than the cooperator, if not by name but by face, as to who the defendant was allegedly dealing with.

MR. DISKANT: We have certainly identified numerous other people who are involved in this conspiracy. The government has currently charged approximately 60 individuals in various different charging instruments. We are talking about a multi-state conspiracy that involved tens, if not hundreds of millions of dollars worth of secondhand medication. So to say that we have knowledge of every single person who is involved in it would obviously be overstating it. We definitely continue to investigate. We have additional targets.

THE COURT: What is the approximate number of individuals who have been coming in and out of this bodega involved in this activity?

MR. DISKANT: I wouldn't speculate, your Honor. I will say that the defendant engaged in two separate sales to the cooperating witness working with the government. Both of those sales involved approximately 50 bottles of secondhand

should he be convicted.

pills. At the time of his arrest, the defendant had an additional 450 bottles or approximately nine sales worth in stock. So the government would speculate that he was doing this with some frequency with other individuals.

MR. DISKANT: That is our information. His father is in the Dominican Republic and not here. I should add that the defendant is not a citizen. He is likely facing deportation

THE COURT: The bodega is owned by his father?

THE COURT: Who else is working or running the store?

MR. DISKANT: We have no information to lead us to

believe that anyone else is running the store. I don't believe

anyone else was there at the time of the arrest. I am not

aware of the agents seeing anyone else in the store during any

of the sales that were reported.

THE COURT: Has the store been closed? When did he get arrested?

MR. DISKANT: He was arrested on December the 20th.

THE COURT: Ms. Lewis, has the store been closed since then?

THE DEFENDANT: This was my father's bodega.

MR. DISKANT: While the defendant is conferring, these are the documents that I referred to. I provided a copy to defense counsel as well.

MS. LEWIS: There is one employee currently working at

the store. His name is Miguel. He is in no way linked to this case. The responsibility for running the store is Mr. Leyba.

As you understand, the store is owned by his father, and he is the one keeping a completely legitimate business operational.

I would also stress that what the government has just mentioned here, none of this is new information — with the exception of these 400 new bottles the government refers to, none of this is new information that the magistrate court was not aware of at the time that they set bail in this case. In fact, this information that the government has just explained is all listed very clearly in the complaint. The complaint makes clear that while people may have met up with him at the bodega, no drugs were alleged to have exchanged hands there. There were no illegal transactions that were alleged to have taken place in the bodega. If anything, they moved outside of the bodega to the apartment, and just to the apartment, to transact these alleged exchanges.

So I would stress that there are no changed circumstances here and there is no reason to deny him his right to work in the bodega, as the magistrate court had said, and to be able to pay his child support in this case.

THE COURT: Was this issue discussed with the magistrate judge? What way was it that the magistrate judge said he could work, precluding him from going to the apartment, but anticipated what about the bodega and what about the way he

was going to work?

MS. LEWIS: My understanding, I was not present there, Mr. Dratel told me at that appearance it was very clear to all parties that he would be permitted to work in the bodega. I understand from Mr. Leyba that perhaps the issue with him living in the apartment actually had more to do with the fact that there had been a misunderstanding that there was no phone line in the apartment, and that may have been part of the reason. Again, I am just going on what my client said, not what Mr. Dratel has said about this particular issue, but that may have contributed to why he had been disallowed to stay in the apartment. Apparently, there is a phone there.

Nonetheless, he is staying with his sister and that condition can remain. He does not need to go into the apartment should the Court continue to wish that to be the case. With the exception of what was already stated before, that the magistrate court was aware of, people may have met him at the bodega and then left there to transact illegal business, there is no allegation that that bodega is in any way linked to criminal activity. It is a legitimate business.

THE COURT: Was it anticipated by the magistrate judge that he would find a new job or that he would work at the bodega?

MS. LEWIS: No. It was absolutely the understanding that he would work at the bodega.

MR. DISKANT: I just tried again to forward a transcript of the proceedings to your clerk so the Court can review it. That's simply not accurate. Both the government and pretrial services, who were at the bail hearing, came away with a completely different impression, which was that Judge Netburn shared the government's concern about this particular location, which is why she was not allowing him to live there. The phone line was hardly the issue. This is an otherwise abandoned building that is padlocked from the outside. Mr. Leyba would meet his buyers and sellers in the bodega, walk them up, take the padlock off the door into this abandoned building where he stored the drugs.

THE COURT: It's interesting that you say the prohibition was that he could not go to the apartment, not that he could not go to the bodega.

MR. DISKANT: Well, your Honor, the condition was that he couldn't live in the apartment, because what he wanted to do was live in the apartment. Judge Netburn added at the very end that he could seek work. There was no other discussion of work. There is certainly no discussion of him going back to work at the bodega. Had that been expressly raised, the government certainly would have opposed it.

I should add Mr. Steimel reminds me, while the defendant is out on electronic monitoring, pretrial has no way of determining, based on that monitoring, whether he is on the

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first floor of the building or the second floor of the building, so there really would be no way to ensure that he was staying only in the bodega.

The final thing I wanted to note, and I just handed up to your Honor a stack of documents that were recovered from this abandoned apartment building pursuant to the search These in order are a loan application from the Bank of America for a building in Newark, New Jersey, in which the defendant substantially misstates his income and defaults on his tax returns, showing that he either is committing tax fraud or misstating his income to Bank of America. Then, finally, a series of documents in which the defendant is obtaining financing and property for a new store nearby. And I raise these primarily because none of this was disclosed with his financial history at pretrial at the time of the bail application. All of this certainly would have given the government additional concern about his release and would have been argued extensively before Judge Netburn had the defendant not failed to truthfully disclose it at that time.

THE COURT: I have a copy of the transcript of the bail proceeding? Can you direct my attention to anything in the transcript that is directed at this issue?

MR. DISKANT: Candidly, my only recollection of work being discussed at all was at the very, very end of the proceeding, probably the last page or two, in which Judge

Netburn was reciting the conditions of bail. And after 1 ordering him to be held on electronic monitoring and to live at 2 3 a location other than his own house, I believe she said 4 something to the effect the defendant can seek work. 5 THE COURT: Let me just look at the transcript. 6 (Pause) 7 THE COURT: Was there a search conducted of the 8 apartment and the bodega? 9 MR. DISKANT: The search was limited to the apartment, 10 your Honor. 11 (Pause) 12 THE COURT: What exactly are the bail conditions? 13 there a \$100,000 bond secured by 5,000 in cash? 14 MR. DISKANT: That's correct. 15 THE COURT: How many cosigners? 16 MR. DISKANT: Two. Neither of them, candidly, is 17 terribly impressive in terms of the financially responsible 18 component, but given Judge Netburn's order, the government did its best to accommodate them. 19 20 THE COURT: Are they employed? MR. DISKANT: One of them is. 21 22 THE COURT: Do you have the defendant's passport? 23 MR. DISKANT: The agent should have it, your Honor. 24 THE COURT: Well, I see in the transcript that the 25 government pointed out to the magistrate judge that the

defendant sought employment in a store that the government believes he was using as a front of the drug conspiracy that is charged in the complaint. The only other reference to the job is the magistrate judge's condition of bail that he will be permitted to leave the home for employment, medical appointments, and to visit counsel.

Given that information, the magistrate judge didn't set any condition, knowing that he worked at that location, didn't set any condition that he should find different employment as I see it here. It seems to me it's reasonable that the magistrate judge anticipated that this is where he was going to be working and that not working there wasn't a condition of his bail.

That being the case, and the circumstances not having changed from the time the magistrate judge set the bail, I think adding an additional condition now that he cannot work at this location, I don't see that being compelling at this point. At this point, I think the restrictions on the apartment should stay in place. At the time, it was indicated to the magistrate judge it was his only employment. Although there may have been criminal discussions at this location in the bodega, the location alone doesn't compel me that he should be precluded from working at his sole employment.

Additionally, as I indicated, I think he would be quite foolish to engage in further activity at this location,

and, quite frankly, I am not sure, he may or may not come in contact with people that the government believes are involved in this kind of activity, but given the nature of his bail conditions, it could just as well happen on the streets someplace, as opposed to happen at the bodega, when the defendant is out from under home confinement.

MR. DISKANT: Most respectfully, I appreciate this is not technically charged as a Title 21, Section 841 provision; nonetheless, the government's view of the defendant here is that he has been engaged in drug dealing. This is the effect of sending a dealer back out on the streets and telling him he is perfectly free to hang out on his old corner, just don't hang out with the same people you were dealing drugs with.

THE COURT: That's an the argument you had the opportunity to make at the time Judge Netburn set the bail. She did not set that restriction nor did you ask her to set that restriction.

MR. DISKANT: Again, having been there myself, having pretrial there, it was not the understanding of anyone at the time that that was what Judge Netburn was saying. She doesn't mention employment until the very, very end. No one understood it to mean she was expressly permitting him to go back to the store.

THE COURT: I have looked at the transcript. I am not sure where I am supposed to look at the transcript to interpret

the transcript to mean that you asked her or she intended to put any restriction on his employment. You told her he had sole employment at the bodega, and she said that he could leave the house only for employment. What other employment could she be referring to unless she told him that he couldn't work there and he had to get another job?

MR. DISKANT: Two responses. First is that both pretrial and the government didn't hear it that way contemporaneously. I think the transcript speaks for itself. We just didn't hear it that way. Certainly, had we heard it, we both would have objected, because as pretrial has told me, and will tell you, they have no way of ensuring on these facts that the defendant is staying in the bodega as opposed to going up to the apartment based on the electronic monitoring that Judge Netburn ordered.

Secondly, this Court has the right to revise those conditions, and the basis for revising those conditions are that now the defendant is in fact out, now the parties clearly understand — the request to include a request not simply to seek employment but to go back to the store, the government and pretrial are here explaining to you why they view that as a bad idea and a difficult way to monitor the defendant.

The final thing is that there are changed conditions, which is the government has additional information, which it continues to investigate, that leads us to believe that the

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defendant has not been fully forthcoming with pretrial, with the Court, in engaging in the various criminal activities that he is involved in, which should give the Court some pause about his ability to maintain a law-abiding life while out on pretrial release, and at the exact place where he met all of his buyers and sellers for the conspiracy that is charged.

THE COURT: If your argument is simply that you are fearful that he is going to go back to the bodega and continue to sell drugs out of the bodega, that's not a particularly compelling argument. Obviously, that would be quite difficult and quite foolish under the circumstances to sell drugs out of the bodega given his bail conditions. The government obviously has the ability, whether he goes to the bodega or not, to conduct a further investigation if they believe there is a reasonable basis to believe that he is selling drugs out of the But the bottom line is that if he is going to be out, he can sell drugs, whether he does it by telephone or someplace else out on the street, someplace else if he gets another job. I'm not sure that the bodega itself is the critical point of the issue as to whether or not he is going to be selling drugs. Quite frankly, I think it is more unlikely, if he is going to sell drugs, he is going to sell it someplace else other than the bodega because that's where he got caught.

I don't think the circumstances have significantly changed, and I think it's a close question given the way the

Magistrate Judge Netburn had anticipated, in terms of bail conditions, don't indicate any other scenario other than that she was told that this is where he worked, in the bodega, that that's his sole employment. She restricted him from going to the apartment, she did not restrict him from going to the bodega, and she said that the bail conditions were that he should be on home confinement except for when he goes to work.

As I say, I think it's a close question, but I think given the nature of this offense, and given the nature of the evidence and the bail that's already set in this case, I think that I can only interpret that what Judge Netburn intended is that she intended that he be able to continue to work. At this point, I don't see a compelling reason to overrule that determination and say that was an unreasonable determination by her to anticipate that he would be able to continue to work in this bodega.

So given his financial responsibilities, his family responsibilities, I think that it makes sense for him to continue to work. Obviously, if he is foolish enough either in the bodega or someplace else while he is on bail to have further contact or discussion with co-conspirators or others who are interested in buying or selling drugs, that would be a foolish thing to do and a basis for totally revoking his bail as an indication that he is a danger to the community and/or

can't abide by the conditions of his release.

Given the way the bail was set, and given that it's simply now the government and pretrial's position that additional restrictive conditions should be imposed indicating that he cannot continue to work at the current location and must find a new job at a different location, under those circumstances, I don't think that is consistent with the bail that Judge Netburn set, having had her consider the total issues. I am going to not restrict him with regard to working in the bodega. He is still restricted from the apartment and upstairs over the bodega. As long as it appears that he is simply engaged in lawful employment at this bodega, I think that that's appropriate and consistent with the bail conditions set by Judge Netburn.

We will adjourn till the next date. If there is a further problem with this, let me know and I will reconsider it, but at this point he should continue to be employed. I think we are better off if he is still working than just wandering around the streets trying to look for another job.

MR. DISKANT: The government would seek an exclusion of time between today's date and April 16 to permit defense counsel to review the discovery and determine what, if any, motions might be appropriate.

THE COURT: Any objection?

MS. LEWIS: No, your Honor.

THE COURT: I will exclude the time in the interests of justice to facilitate that review and availability for the next conference. I will see everyone on April 16 at 9:45. (Adjourned)